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Report Highlights:

Croatia imports a significant amount of food to meet domestic demand. Continuing economic reforms resulting from EU accession and growing tourism make Croatia a potential market for certain U.S. food products, such as seafood, pet food, wine, and tree nuts. This report's statistical data were updated in September 2021.

Market Fact Sheet: Croatia

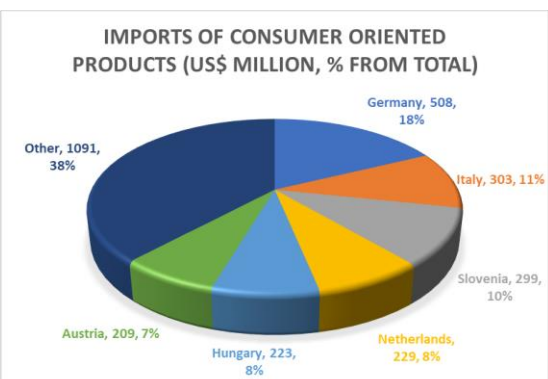
Executive Summary

Croatia is a Member State of the European Union (EU), the World Trade Organization (WTO), and NATO. Croatia's population is approximately 4 million.

In 2020, Croatia imported $4.2 billion (source TDM) of agricultural and related products. Imported agricultural products from the United States were valued at approximately $23 million in 2020 (source TDM). However, the actual figure is likely much higher because of unrecorded transshipments from Western European suppliers. U.S. products with good import prospects include seafood, animal feed ingredients, animal genetic resources, wine, pork, fruits and vegetables, pet food, and a wide range of snack and convenience foods. The Croatian market for imported food products is currently dominated by European suppliers and the market continues to grow, with high-value food items comprising the largest segment.

Imports of Consumer-Oriented Products

In 2020, Croatia imported over $2.9 billion of consumer-oriented agricultural products, with approximately $20 million coming directly from the U.S.



Retail Food Industry

The internationalization of the Croatian retail food trade began in 1997 with the opening of the supermarket chain "Drogerie Markt." Supermarkets developed rapidly in Croatia, leaving the traditional retail food system far behind. Currently, the majority of consumers shop at supermarkets, and imports are distributed primarily through larger supermarkets.

Quick Facts CY 2020

Imports of Agricultural and Related Products (U.S. $ billion)
$ 4.2

List of Top Growth Products in Croatia

Pork	Distilled spirits
Seafood	Wine & Beer
Beef	Tree Nuts
Pet Food	

Top 5 Retailers

Plodine	Tommy
Spar Hrvatska	KTC

GDP/Population

Population, 2020 estimate (million): 4.05
GDP (millions USD), 2020: 55,967
GDP per capita (USD), 2020: 13,828
Economic Growth Rate (%), 2020: -8.03

Sources: TDM, Croatian National Bank, Croatian Statistical Institute, World Bank, Eurostat

Strengths and Weaknesses

Strengths	Weaknesses
U.S. products like dried fruits and nuts have a good reputation EU membership makes it possible to source U.S. products from hubs in other Member States more competitively than before	Retailers rarely import U.S. products directly into Croatia and prefer to purchase from central distributors located in other Member States, mainly Germany, the Netherlands, and Italy
Opportunities	**Threats**
Certain fruits, vegetables, dried fruits, and rice are not produced domestically	The government has adopted restrictive EU phytosanitary regulations

Exchange rate average in 2020:

1 USD = 6.61 HRK

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I. Detailed Market Overview

Economic Situation and Consumer Buying Habits

On July 1, 2013, Croatia became the 28th EU Member State. Croatia is also a member of the WTO and NATO, which provide a secure framework for its improving economic and social prospects.

Croatia has made considerable progress in creating a market economy and establishing macroeconomic stability. With the kuna (HRK) closely tied to the euro (EUR), Croatia enjoys a stable currency and is planning to introduce the euro in the near future. Croatia's economy is continuing to recover from the 2008 global economic crisis, and growth averaged around 3 percent over the three years prior to the coronavirus (covid-19) pandemic. Due to the pandemic, the GDP growth in 2020 was negative 8.0 percent, but it is estimated that growth in 2021 will rebound to over 6.8 percent, driven by personal consumption and an extraordinary tourist season. Unemployment was 7.5 percent in 2020 despite workforce shortages in the tourism, retail, construction, and technology sectors. In 2021, unemployment is expected to substantially decrease.

Although Croatia has made progress in economic and administrative reform, a number of problems remain in this developing economy. The judiciary system is burdened with a backlog of cases, there is a lack of commercial expertise, the bureaucracy is overly complex and sometimes non-transparent, and there are both real and perceived corruption issues. As such, the business climate in Croatia is considered difficult, requiring caution and patience to achieve success. Croatia is a mature market with well-established competition, chiefly from the European Union. Croatian consumers are discriminating and consider many factors beyond brand loyalty in their purchasing decisions, although the Croatian food market is primarily price-sensitive.

Demographic Developments and Consumer Buying Habits

According to a 2020 mid-year estimate, Croatia's population is approximately 4.05 million and is slowly decreasing. In 2020, the average age of the population was 43.8 years and is slowly increasing. The number of elderly and retired persons is rising, but they tend to have small pensions and are not the same economic force in Croatia as in other countries. One rising concern is an increasing level of outmigration among youth, which will have a negative impact on the country's demographics and economy. In 2020, the actual individual consumption of the average Croatian citizen was approximately 67 percent of the EU average, according to Eurostat's first 2020 estimate of purchasing power parities.

Size and Growth of Consumer Food Market

In 2020, Croatia imported $4.2 billion of agricultural and related products and exported $3.8 billion worth of these goods, which makes the agricultural trade deficit approximately $0.4 billion.

Croatia's total imports of consumer foods have steadily grown over the last few years and rose to approximately $2.9 billion in 2020. Flourishing tourism along the Dalmatian coast and rebounding consumer demand in urban areas have fueled demand for consumer foods, as evidenced by the growing number of supermarkets. However, there is little data available on the domestic sales of food products by class or type. Trade statistics on U.S. exports of consumer foods to Croatia are severely understated due to transshipment via other EU states. The demand for medium- to high-quality consumer foods will continue to rise and should be a boon for U.S. companies, provided they overcome the high ocean freight rates into the Adriatic Sea from U.S. ports.

Advantages and Challenges of U.S. Suppliers in the Croatian Market

Advantages	Challenges
Growth of tourism	High shipping costs while Croatian buyers demand both quality and low prices
Growth of the urban population	Retailers rarely import U.S. products directly into Croatia, and they prefer to purchase from central distributors located in other Member States, primarily Germany, the Netherlands, and Italy
Certain fruits, vegetables, dried fruits, and rice are not produced domestically	The government has adopted restrictive EU phytosanitary regulations
Some U.S. products like dried fruits and nuts have a good reputation	Reservations about products with chemical food additives
U.S. style food is popular among the younger generation	Negative attitudes towards foods containing or made from biotech products
Shortages of some agricultural products like beef, soybean meal, and some types of seafood	Competition from EU Member States
Most importers speak English	Lack of awareness of U.S. goods; no consumer understanding of U.S. quality
EU membership makes it possible to source U.S. products from hubs in other Member States more competitively than before	The cost of promotions to increase consumer awareness is high

II. Exporter Business Tips

Local Business Customs

Except for the largest sellers, food retailers generally buy domestic and imported products from wholesalers. The wholesale sector is completely privatized. Restructuring of the retail sector occurred in the 1990s when retail chains were privatized and acquired by larger groups and new private retailers emerged on the market. The retail sector is dominated by foreign supermarket chains, such as Interspar (Spar), Kaufland, DM, Lidl, and Metro; and domestic supermarket chains, such as Konzum plus (Konzum), Plodine, and KTC. The largest supermarket chains have purchasing sections that buy, store, and distribute foodstuffs centrally. These purchasing units also import products and purchase some items through specialty wholesale importers.

General Consumer Tastes and Preferences

Croatians have conservative tastes, which are reflected in the local cuisine, production methods, and marketing. However, the younger generation appreciates new food products and beverages. Nonetheless, surveys have revealed that Croatians repeatedly demonstrate a preference for foods without artificial flavors, stabilizers, emulsifiers, or preservatives, and with minimum pesticide treatments or genetically engineered ingredients. At the same time, their actual buying habits show that the main determining factor for their purchasing decisions is actually price, regardless of composition. As a result of the 2008 economic crisis, consumers now tend to buy less expensive cuts of meat, predominantly poultry. The economic downturn has also spurred an increase in private supermarket labels and generic-brand purchases.

The following are highlights from a publicly available market research survey conducted by the Gesellschaft für Konsumforschung (GfK) in March 2010, entitled *How we eat*:

For food preparation, Croatians use sunflower oil (84 percent), olive oil (51 percent), lard (41 percent), butter (31 percent), and margarine (2 6percent). Most of the respondents (90 percent) eat all types of meat. White bread is a staple for 50 percent of the respondents, dark bread is consumed by 30 percent of the respondents and integral bread is consumed by 19 percent of the respondents. More than half of the respondents consume cakes daily and sweet cookies weekly. Chocolate is consumed by 60 percent of the respondents daily and weekly, 80 percent of the respondents consumed coffee daily. In terms of daily dairy product consumption: 54 percent consume milk, 33 percent consume plain yogurt and 30 percent consume cheese. Croatians claim to value: good quality and good taste (each approximately 95 percent); low price, domestic origin, and no artificial coloring or flavoring (each approximately 65 percent); no preservatives (56percent) and low fat (also approximately 56percent). Half of the respondents stated it was important to know the producer and whether the product is organic in origin. The least valued characteristics were foreign production (11percent) and attractive packaging (24 percent). Some changes can be seen in consumer habits insofar as they are eating more fruits and vegetables, less fatty food, less "fast food," and drinking more fluids.

Research performed in 2011 by the Croatian Food Agency, *Research on Fear from Food Health Risk on Croatian Consumers, 2011*, revealed that many Croatians think domestic food is safer than imported food and that food was generally safer ten years ago. Their research also showed that Croatians mainly worry about pesticide residue, quality and freshness, GMOs, antibiotics, and hormones.

III. Import Food Standards & Regulations/Import Procedures

Croatia's agricultural sector is governed by the Common Agricultural Policy. Similarly, Croatia, as the 28th EU Member State, employs the same tariffs and border measures as all other EU Member States. Products imported into Croatia must meet all Croatian and EU food safety and quality standards, in addition to the labeling and packaging regulations. It is essential to work with an experienced importer or have an agent to work with the Croatian regulatory authorities to ensure the acceptability of products.

Personal relationships and language skills are valuable when conducting business transactions. For more information on Food and Agricultural Import Regulations and Standards, please see our latest FAIRS report at https://gain.fas.usda.gov/.

General Import and Inspection Procedures

Incoming goods must clear customs storage at transport terminals or airports. After the goods arrive at customs, the importer or freight forwarder initiates the clearance process by submitting the required documents to the inspection departments and customs office. See the FAIRS report for Croatia at https://gain.fas.usda.gov/. The process begins at the Sanitary Inspection Department of the State Inspectorate, which checks all products except animal products, which are checked by the Croatia Veterinary Inspection Department of the State Inspectorate. Random sampling is performed to check food safety, quality, and biotech. The owner of the consignment (usually the importer) must pay for all product inspections. If the products are deemed to be suspicious or of health concern, then the consignment is held until all the results of the analyses are received. Customs clearance and removal from storage are performed under the supervision of a customs officer, who compares the documents with the commodities after the checks are complete.

Import certificates must be in the official language of Croatia, which is Croatian.

The average length of customs clearance for food products is one day if all the documents are in order and the consignment is not selected for random testing. Otherwise, customs clearance can take between 5 and 10 days while awaiting test results.

Complete information on the EU import rules for food products may be found at: http://www.usda-eu.org/trade-with-the-eu/eu-import-rules/ . For Croatian specifics refer to the latest FAIRS report for Croatia at the FAS website, https://gain.fas.usda.gov .

IV. Market Sector Structure and Trends

Retail Sector Key to High-Value Imports

The internationalization of the Croatian retail food market started in 1997 with the opening of the supermarket chain "Drogerie Markt." Supermarkets developed rapidly in Croatia, leaving the traditional food retail system far behind. Currently, most consumers shop at supermarkets, and imports are increasingly being distributed through larger supermarkets.

Trends in Promotion and Marketing Strategies

A media campaign is considered necessary for the success of any new food product. In this respect, advertising is an essential marketing tool in Croatia. Businesses use all available media including internet, radio, billboards, newspapers, and magazines, although television is the food industry's favorite media. Supermarkets also use direct marketing through mailed flyers. Consumer participation contests on television and radio are also very common.

For U.S. exporters, trade shows remain an excellent way to make contact with potential Croatian business partners, conduct product introductions, and gauge buyer interest.

Trends in Tourism Sales

Tourism, although highly seasonal, is a crucial economic driver in Croatia. Each year between 10 and 16 million foreign tourists visit Croatia, a huge number in comparison with Croatia's population of around 4.05 million. The majority of the visitors come from Germany, Slovenia, Austria, Italy, Poland, the Czech Republic, the UK, France, Hungary, the Netherlands, Slovakia, and Bosnia–Herzegovina. Tourists from countries outside Europe are predominantly from South Korea, the United States, and more recently from Australia, Japan, Canada, and China. The tourism infrastructure in Croatia is satisfactory but still developing.

Trends in Internet Sales

The bulk of internet shopping in Croatia involves travel services, IT equipment, books, and electrical appliances. Despite the focus on equipment and services, a few companies sell retail food products online. However, during the coronavirus pandemic, internet food sales began booming.

While retail online transactions in Croatia still represent only a small percentage of total retail trade, e-commerce in Croatia is commonplace and is one of the rare retail channels that has not declined due to the pandemic. Internet access is available throughout most of the country and is heavily utilized.

V. Agriculture and Food Imports

Agriculture and food import statistics between Croatia and the U.S. for the past five years can be found at https://apps.fas.usda.gov/Gats/default.aspx

Best High-Value Consumer-Oriented Product Prospect Categories

Product Category	2020 Imports (million $)	Key Constraints of Market Development	Market Attractiveness for the U.S.
Pork and Pork Products	$253	Only companies that are registered exporters of pork for the EU can supply the Croatian market Competition from EU companies	Croatian meat processors are importing significant quantities of pork due to the volatile domestic situation. Domestic pig production is cyclical and responds to the price of feed. There are occasional market shortages of products that meet the quality standards.
Seafood Products	$163	Competition from seafood exported from the EU Member States	Demand and consumption should resume and grow alongside tourism over the next several years.
Beef and Beef Products	$100	Strict EU legislation prohibits imports from animals treated with growth promoters High-quality beef quota	Croatia does not produce a sufficient quantity.

Product Category	**2020 Imports (million $)**	**Key Constraints of Market Development**	**Market Attractiveness for the U.S.**
Pet Food (Dog & Cat Food-retail)	$72	Competition from European companies and U.S. franchisees in the EU	Croatia does not produce any pet food. Production and usage of these products are expected to grow alongside an increase in the standard of living.
Distilled Spirits	$41	Transshipments from other EU Member States	Croatian consumers are willing to pay a premium price for high-value products.
Wine & Beer	$90	High transportation costs Significant competition from EU origin wines	Consumption of quality wines is expected to grow alongside Croatia's standard of living.
Tree Nuts	$43	The market is price sensitive and must conform to EU certification schemes and quality standards	Croatia does not produce a sufficient quantity and quality is variable.

Source: Trade Data Monitor (TDM)

VI. Key Contacts and Further Information

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Attachments:

No Attachments.